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SUBJECT: FUEL AVAILABILITY IN ANBAR PROVINCE IMPROVES, BUT
DEMAND OUTSTRIPS SUPPLIES

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1. (SBU) This is a PRT Anbar reporting cable.

Summary

2. (SBU) Anbar Province experienced severe fuel shortages during the Sunni insurgency in 2006-2007. Fuel supplies have now increased, notably with the re-establishment of security, the reopening of a small refinery in the western part of the province, and the privatization of fuel deliveries. However, local demand has outpaced growth in the fuel sector. Even with some supply restrictions removed, controls on fuel prices have prevented market equilibrium and allowed a black market to continue. The increased demand has provided fertile ground for corruption and theft and, with a limitation in fuel distribution infrastructure, inhibited the government from receiving its full monthly fuel allocation. End Summary.

Remarkable Increase in Fuel

3. (SBU) Sitting inside a dust-filled office in Ramadi, director general (DG) of fuel for Anbar province Abdulghani Abdulwahab recalled that in March 2007 the Governor gave him cash for a purchase of 5,000 liters of fuel for government use, but he found only 1,600 liters in the city. In those days, the inability to transport fuel by truck because of Al-Qaeda security concerns had created severe shortages. Today however, the security environment permits commercial truck companies to carry large shipments of fuel. Shortages still exist, but the situation has improved.

4. (SBU) The Ministry of Oil sets fuel allocation weekly, based on production factors at the Bayji Oil Refinery (BOR) in neighboring Salah ad Din Province. In August, Anbar received 75 percent of its fuel allocation of 63 million liters. The province's ability to take this allocation has increased enormously since the period September 2007 to March 2008, when only 10 percent of allocation was received. Two developments have occurred to facilitate this change.

Delivery and Refining

5. (SBU) The first development was the privatization of the truck delivery process. The provincial government, with the Ministry of Oil, made the decision to privatize fuel delivery as a strategy to safeguard fuel shipments. The Fajr Al Jazeera Company won the contract, and since April has been required to send 158 fuel trucks every three days to the BOR to pick up Anbar's fuel allocation. Official numbers indicate a 488 percent increase in local fuel supplies and a 20 percent decline in street fuel prices since the privatization.

6. (SBU) The other source of improvement was the 18 July

reopening of the K3 oil refinery in western Anbar, which has helped to offset shortages in diesel and kerosene. Situated near Haditha, the refinery has begun to supply the western part of the province with 5,500 barrels per day (bbl/d) but has the capacity to produce 16,000 bbl/d. It has become a welcome complement to the BOR, expanding overall fuel supply by 20 percent.

17. (SBU) Seen from Abdulghani,s office window was an endless flow of fuel trucks entering the Ramadi Fuel Distribution Center (FDC); they swarm around the pumps that offload fuel from Bayji. They are then reloaded in order to replenish government and commercial fuel stations throughout the province.

18. (SBU) Abdulghani was upbeat about continued improvement in fuel availability. When pressed for a reasonable guarantee that continued growth would be met with increased fuel delivery, he noted "Even six months ago, the situation was something to cry over; now, it is completely different." However, Abdulgahni,s optimism is not shared by many in the business community.

Discontent in the Business Community

19. (SBU) At a raucous September 9 town hall meeting in the Provincial Council,s auditorium, furious businessmen shouted for adequate fuel supplies. Many claimed that fuel was being siphoned from their trucks at the FDC. Abdulghani, who was present at the meeting, was accused of complicity. There were also murmurs that Sheikh Ali Hatem, the owner of The

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Fajr Company, was involved in the graft. Factory owner and PC member, Sheik Ra,ad Sabah, claimed that the retail price of fuel is 350 dinar but he is forced to pay 400 wholesale. When asked for a receipt he could not produce one.

110. (SBU) Leakages occur throughout the fuel delivery distribution channel. Wily mechanisms at the Ramadi FDC include tricking the meter into thinking that fuel has been drained from the truck when only pressurized air has flowed through the hose. Drivers then depart with full or partially full tanks. The subterfuge obviously requires cooperation between drivers and the pump handlers. Huge profits are made by selling the stolen fuel on the informal market or abroad.

Comment

111. (SBU) As the town hall meeting indicates, public expectation for better service is rising faster than the government,s ability to provide for better services. Even as fuel availability has increased, the provincial government is still hobbled by theft as well as by an inadequate fuel-distribution infrastructure. A recent CERP project at the fuel distribution center aims to add additional fuel loading and unloading facilities. This will expand the facility,s throughput capacity by 30 percent, enabling trucks to spend more time making deliveries instead of waiting in line at the distribution center. Shortages of fuel, however, ultimately will not be resolved until administrative controls on the fuel price are removed, allowing the price to move freely according to demand. End Comment.

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